



DEPARTMENT OF VETERANS AFFAIRS

8320-01

Veterans Employment Pay for Success Grant Program (“VEPFS program”)

AGENCIES: VA Center for Innovation, Vocational Rehabilitation and Employment, Department of Veterans Affairs (VA).

ACTION: Notice of Funding Availability

SUMMARY: The Department of Veterans Affairs (VA) is establishing a grant program (Veterans Employment Pay for Success (VEPFS)) under the authority of 38 U.S.C. 3119 to award grants to eligible entities to fund projects that are successful in accomplishing employment rehabilitation for Veterans with a Service-connected Disability. VA will award grants on the basis of an eligible entity’s proposed use of a Pay for Success (PFS) strategy to achieve goals. This *Notice* includes the general process for awarding the grant, criteria and parameters for evaluating grant applications, priorities related to the award of a grant, and general requirements and guidance for administering a VEPFS grant program.

DATES: Applications for a grant under the VEPFS program must be submitted to Grants.gov by 11:59 p.m. Eastern Time September 14, 2016. Successful applicants will be notified by September 30, 2016. The award made through the VEPFS program will cover a period of 60 months.

FOR FURTHER INFORMATION CONTACT: Patrick Littlefield, Executive Director, VA Center for Innovation. Patrick.Littlefield@va.gov, (202) 256-7176.

If mailing correspondence, other than application material, please send to: VA Center for Innovation, VA Central Office, Attn: Patrick Littlefield (320), 810 Vermont Avenue NW, Washington, DC 20420.

Disclosure: Publication of this *Notice* does not obligate VA to award any grant or to obligate the entire amount of funding available.

SUPPLEMENTARY INFORMATION:

I. Program Description

A. Background

This competition of the VEPFS program is a collaborative effort by the Department of Veterans Affairs (VA) and the Corporation for National and Community Service (CNCS) to test the Pay for Success (PFS) model as a way to improve suitable Employment Outcomes for Veterans with a Service-connected Disability of Post-Traumatic Stress Disorder (PTSD). Improving suitable Employment Outcomes, as noted in Appendix I, means creating positive impact in terms of these outcomes, where the results for individuals that receive the Intervention are better than the results for a valid comparison group that did not receive the Intervention.

Throughout this document, the nomenclature of outcomes, consistent with the Pay for Success field's use of the term, is inextricably linked to impact in this *Notice*.

This competition seeks to create a meaningful difference in Veterans' lives that would not otherwise exist.

This goal is consistent with the mission of VA, which is to fulfill President Lincoln's promise, "To care for him who shall have borne the battle, and for his widow, and his orphan" by serving and honoring the men and women who are America's Veterans. VA's Office of Economic Opportunity within the Veterans Benefits Administration has a further defined mission to "Help Veterans attain personal and economic success" through a variety of benefits, services, and activities including promoting employment opportunities for Veterans. The targeted veterans for this Pay for Success (PFS) pilot will need to have Service-connected Disability of PTSD.

While VA and other government organizations, such as the Department of Labor, have programs that assist Veterans in seeking employment, there is not an employment program that focuses specifically and solely on Veterans with PTSD. VA is interested in enhancing vocational services with the intent of improving overall Employment Outcomes for this target group of Veterans. This PFS competition will target the effective delivery of employment Interventions to Veterans with a Service-connected Disability of PTSD. Employment Outcomes will be related to success in obtaining and sustaining suitable employment. The overarching goal of this competition is to generate positive impact for Veterans as

they seek to return to competitive employment. Please see Appendix II for more information on the background of the focus of this competition.

Background on the Social Innovation Fund as Partner to VA

The Social Innovation Fund (SIF) at the Corporation for National and Community Service (CNCS) has chosen to partner with VA on this program. The mission of CNCS is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. Through AmeriCorps, Senior Corps, and the Volunteer Generation Fund, CNCS has helped to engage millions of citizens in meeting community and national challenges through service and volunteer action. Through the SIF, CNCS has augmented its traditional activities with an enhanced focus on identifying and growing innovative, evidence-based approaches to our nation's challenges.

The purpose of the SIF is to grow the impact of innovative community-based solutions that have compelling evidence of improving the lives of people in low-income communities throughout the United States. The SIF directs resources toward increasing the evidence-base, capacity, and scale of the organizations it funds in order to improve the lives of people served by those organizations. The SIF also generates broader impact by leveraging the grant program in various ways to improve how philanthropies, Federal government departments and agencies, state and local government, and community-based organizations deploy

funds to address social challenges. Additionally, it enhances the ability of the nonprofit sector to support the growth of innovative, high-impact organizations.

Ultimately, SIF PFS efforts are intended to:

- Increase knowledge in the social sector about which capacity building and PFS Project-structuring practices increase the likelihood of successful implementation of PFS projects as well as other evidence-based approaches and related social financing mechanisms.
- Accelerate the development of the field to make it easier to adopt outcomes-focused funding models.
- Attract capital to finance effective solutions to challenges facing low-income communities nationwide and to high-performing organizations that demonstrate the ability to strengthen, grow, and sustain effective solutions for challenges facing low-income communities.

CNCS's partnership on this program provides expertise on PFS to pair with VA's expertise on Veterans' issues.

B. Funding Purpose

The VEPFS program will fund a demonstration project ("demonstration") to support and assess the use of Pay for Success (PFS) to improve Employment Outcomes for Veterans with a Service-connected Disability of PTSD. The program will specifically target Veterans with a Service-connected Disability of PTSD in low-

income communities or in geographical areas that have the highest demonstrated employment need. Improved Employment Outcomes will be based on whether:

- Employment is consistent with a Veteran's interests, aptitudes, skills, and abilities;
- Employment improves (or does not aggravate/worsen) the Veteran's disabling conditions;
- Employment requires reasonably developed skills;
- Employment provides the Veteran with a Living Wage (preferred) or improves the Veteran's earnings annually; and
- Competitive employment is sustained.

PFS is a strategy of procuring positive outcomes that manifest in positive impact by paying for an Intervention only once it produces those outcomes. PFS projects typically involve two elements: a PFS Agreement and PFS financing.

1. A PFS Agreement provides for payment when an Intervention achieves positive outcomes at pre-set target levels, as compared to the outcomes achieved by a counterfactual group. (Pre-set means set in, and by the signatories to, the PFS Agreement before the Intervention is deployed.) Achievement of outcomes is typically verified by an Evaluator using a robust methodology agreed upon by all parties to a transaction to ascertain impact.
2. PFS financing, sometimes referred to as social impact bonds, is the provision of mission-driven capital that covers the upfront costs of delivering the Intervention and potentially other project costs. Given that verifying the outcomes that trigger Outcomes Payments may take several years, Service

Providers often will not have the resources to self-finance the costs of implementing a preventive Intervention during an agreement period. PFS financing covers these costs. Such third-party investment is typically at-risk and return of capital (and any potential return on investment) via the Outcomes Payor is dependent, in whole or in part, on the achievement of outcomes identified in the PFS Agreement.

Projects involving either solely a PFS Agreement, or both a PFS Agreement and PFS Financing, are considered viable projects to ultimately receive Outcomes Payments funded by the VEPFS program. Please see the diagram in Appendix II for the typical, though not mandatory, steps in a PFS project that includes PFS financing.

Note that the PFS Agreement must be in accordance with standards relating to evaluation methodology, metrics for Employment Outcomes, and investor rate of return to be issued by VA in the terms and conditions of the grant agreement.

For definitions related to the VEPFS program, please see Appendix I.

The VEPFS program will fund Outcomes Payments, which by definition in Appendix I are tied to impact, for a High-Quality PFS Project designed to improve Employment Outcomes among Veterans with a Service-connected Disability of PTSD. Through this competition, VA will select an entity to act as an Outcomes

Payor, administering the Federal funds and matching non-Federal funds to pay for improved Employment Outcomes.

The key objectives of this demonstration are as follows:

1. Pilot test the PFS model operated by a project coordinator to learn whether the PFS approach is feasible to fund a Veterans' employment initiative.
2. Assist Veterans with a Service-connected Disability of PTSD in securing employment and/or increasing earnings.
3. Add evidence to the knowledge base about effective and integrated Interventions to support Veterans' employment.
4. Conduct research to identify lessons learned and best practices on the feasibility of testing effective Veterans' employment Interventions.

C. Approach

1. Applicants must present either a Partial Project Partnership or Full Project Partnership for a High-Quality PFS Project at the time of application.
2. The Grant Recipient (referred to as "Recipient" in the remainder of the document) will serve as an Outcomes Payor and thus a party to a PFS Agreement that is designed to improve Employment Outcomes among Veterans with a Service-connected Disability of PTSD.
3. The Recipient is responsible for securing non-Federal funds in accordance with the 1:1 cash match requirement for the entire grant award.

4. Within six months of the grant award, the Recipient must submit to VA a proposed high-level project plan that outlines key milestones and associated target deadlines for the duration of the project period.
5. The Project Partnership must produce a High-Quality PFS Project for improving Employment Outcomes among Veterans with a Service-connected Disability of PTSD.
6. The Recipient will capture and share with the public key learnings from the PFS activity that this grant supports. The Recipient will work with VA and CNCS in order to disseminate information related to the Recipient's PFS activity supported by this grant. This requirement involves, but is not limited to, the Recipient providing to VA and making publicly available all major documents and tools developed for the High-Quality PFS Project, including a PFS Agreement, taking into consideration the confidentiality needs of Participants as well as local, state, and Federal laws.
7. VA will ensure a Grant Program Assessment is conducted. The Grant Program Assessment will ascertain the level of progress made towards achieving the objectives articulated in Section I.B. of this *Notice* throughout, and at the conclusion of, the period of performance.
8. If the Evaluator certifies that the impact of the Intervention, as determined through rigorous evaluation, has met the requirements of the PFS Agreement, Outcomes Payments will be disbursed by the Recipient to the Service Provider.

D. Key Programmatic Requirements

Any Project Coordinator and Investor(s) must be procured in accordance with the requirements in 2 C.F.R §§ 200.317-200.326. Alternatively, nonprofit community organizations may continue to comply with the Procurement Standards in OMB Circular A-110 for two additional fiscal years, beginning after December 26, 2014, meaning through Fiscal Year 2017. Such election must be specified in the nonprofit organization's documented policies and procedures. In the case that applicants have not yet procured a Project Coordinator and Investor(s) but plan to, applicants must present a detailed plan for forming a Full Project Partnership at the time of application that follows grant procurement requirements in 2 C.F.R §§ 200.317-200.326 for any Federal funds utilized.

The Recipient must submit to VA a proposed high-level project plan that outlines key milestones and associated target deadlines for the duration of the project period, reflecting the following activities and the duration for each:

- Formation of a Full Project Partnership and development and execution of the PFS Agreement;
- Delivery of the Intervention;
- Employment Outcomes evaluation to ascertain impact; and
- Outcomes Payor review of the evaluation and potential release of Outcomes Payments. (Note that Employment Outcomes may be evaluated and Outcomes Payments released at other times for positive impact during this project period if the terms of the PFS Agreement call for multiple payment points.)

The Grant Program Assessment activities include, but are not limited to:

- Providing interviews, data and documentation of inputs, outputs, and Employment Outcomes to support the Grant Program Assessment;
- Requiring participation from the Recipient in the Grant Program Assessment; and
- Conducting additional activities to augment the overall knowledge sharing agenda.

E. Program Authority

Funding applied for under this *Notice* is provided by VA and CNCS.

VA: Funding from VA is authorized by 38 U.S.C. § 3119. Section 3119 authorizes VA to make grants to public or nonprofit agencies for the development of projects “designed to increase the resources and potential for accomplishing the rehabilitation of disabled veterans[,]” which include Veterans with Service-connected Disabilities.

CNCS: Section 198K of the National and Community Service Act of 1990, Pub. L. No. 101-610, as amended, (42 U.S.C. § 12653k) established CNCS’s Social Innovation Fund. The Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, Division G, Title IV, Corporation for National and Community Service, and The Consolidated and Further Continuing Appropriations

Act, 2016, Pub. L. No. 114-92, Division H, Title IV, Corporation for National and Community Service, provided that up to 20% of funds made available for the Social Innovation Fund may be provided to PFS.

VA and CNCS entered into an interagency agreement, which designates VA as the agency responsible for implementing this PFS project.

II. Federal Award Information

A. Estimated Available Funds and Award Amount

Up to \$3.0 million in Federal funding is available for the award. VA intends to award one grant of \$3.0 million through this competition.

B. Project Period

The anticipated start date of grant funding under this announcement is September 30, 2016. The grant award covers a five-year project period. Applications should represent the full five-year period.

C. Funding Instrument

The funding mechanism for the VEPFS program is a grant.

III. Eligibility Information

A. Eligible Applicants

This competition is limited to public or nonprofit agencies, including nonprofit institutions of higher learning. Eligible nonprofit organizations are defined in 2 C.F.R § 200.70. Eligible applicants must propose to serve Veterans with a Service-Connected Disability of PTSD in low-income communities or in geographical areas that have the highest need in the issue areas. “Highest need ” means greater than the national average, and “issue areas” means (1) reductions in poverty or increases in economic opportunity for economically disadvantaged individuals or (2) health, including health services and health education.

B. Cost Sharing or Matching

The Recipient must provide non-Federal cash funds for Outcomes Payments that match by 100% the Federal funds received through this award. An applicant may meet the match requirement with a combination of its own funds and those of other non-Federal sources. At the time of application, applicants must present evidence that they have already secured 10% of their match requirement in non-Federal cash by submitting match verification documents, as explained in Section IV.D. (*Other Submission Requirements*) of this *Notice*.

C. Other

Entities that have been convicted of a Federal crime may not receive assistance described in this *Notice*.

Pursuant to the Lobbying Disclosure Act of 1995, an organization described in Section 501(c)(4) of the Internal Revenue Code of 1986, 26 U.S.C. 501(c)(4), that engages in lobbying activities is not eligible to apply.

IV. Application and Submission Information

A. Address to Request Application Package

Applicants may download the application package from Grants.gov. Questions regarding the application process should be referred to the Program Official:

Patrick Littlefield (Executive Director, VA Center for Innovation)

Patrick.Littlefield@va.gov

(202) 256-7176 (This is not a toll-free number)

Hearing- or speech-impaired individuals may access this number through TTY by calling the Federal Relay Service at 1-800-829-4833 (this is a toll-free number).

B. Content and Form of Application

1. Application Content

The VEPFS Grant Program application package provided at Grants.gov (Funding Opportunity Number: VA-VACI-2016-01) contains electronic versions of the application forms that are required. Additional attachments to satisfy the required application information may be provided. The application must provide a well-designed plan with a clear and compelling justification for receiving the requested funds. Reviewers will assess the application on the basis of the program goals,

partnership, work plan and budget, expertise and capacity, and match as noted in Section IV. of this *Notice*. All VEPFS grant applications must consist of the following:

Completed applications must have the following components:

- Standard Forms (SF) 424, 424A and 424B: The SF-424, SF-424A, and SF-424B require general information about the applicant and proposed project.
- Narrative
 - Executive Summary: An outline of key information and a brief description of the applicant's proposal. The Executive Summaries of all compliant applications will be published on the VA website. The outline of key information should include, in outline format, the following:
 - Name of Proposal
 - Name of Intervention
 - Type of Partnership Presented at Time of Application
[Full / Partial Project Partnership]
 - Amount of Federal Funds Sought (up to \$3.0 million)
 - Match
 - Amount of Funding Secured as Cash on Hand (at least 10% of the Non-Federal Match Requirement)

- Amount of Funding for which Applicant Has Received Commitments
 - Amount of Funding for which Applicant Has Received Letters of Interest
 - Amount of Funding for which Applicant Has Plan to Secure
- Project Description
- Project Partnership
- Work Plan and Budget
- Expertise and Capacity
- Match
- Match Verification Documentation

See Section V.A. of this *Notice* for details on information that should be included in the Project Description, Project Partnership, Work Plan and Budget, Expertise and Capacity, Match, and Match Verification Documentation components.

Applications may not exceed 50 double-spaced pages as the pages print out from Grants.gov. The Budget section is not included in the page limit. Please note that reviewers will be instructed to stop reading the Narrative section of the grant application after page 50. Reviewers will not consider material past the page limit.

Applications must include a Dun and Bradstreet Universal Numbering System (DUNS) number and an Employer Identification Number. The DUNS number does not replace an Employer Identification Number. You can obtain a DUNS number at no cost by calling the DUNS number request line at (866) 705-5711 or by applying online at <http://fedgov.dnb.com/webform>. The website indicates a 48-hour email turnaround time on requests for DUNS numbers; however, VA recommends registering at least 30 days before the application due date.

After obtaining a DUNS number, applicants must also register with the System for Award Management (SAM) and maintain an active SAM registration until the application process is complete and, if a grant is awarded, throughout the life of the award. SAM registration must be renewed annually. **VA suggests finalizing a new registration or renewing an existing one at least two weeks before the application deadline to allow time to resolve any issues that may arise.**

Applicants must use their SAM-registered legal name and address on all grant applications to VA.

VA will not make an award to an applicant until the applicant has complied with all applicable DUNS and SAM requirements and, if the applicant has not fully complied with the requirements by the time VA is ready to make an award, VA will determine the applicant is not qualified to receive a Federal award and will use this determination as a basis for making the award to another applicant. See the SAM Quick Guide for Grantees at

https://www.sam.gov/sam/transcript/SAM_Quick_Guide_Grants_Registrations-v1.6.pdf.

2. Submission Dates and Times

Applications are due September 14, 2016 by 11:59 p.m. Eastern Time.

Submissions received after this application deadline will be considered late and will not be reviewed or considered. Submissions via e-mail, mail, or fax will not be accepted. VA reserves the right to extend the submission deadline and any notice of such extended deadline will be posted on the VA website.

It is the responsibility of grant applicants to ensure a full and complete application is submitted via Grants.gov. Applicants are encouraged to periodically review the "Version History Tab" of the funding opportunity announcement in Grants.gov to identify if any modifications have been made to the funding announcement and/or opportunity package. Upon initial download of the funding opportunity package, applicants will be asked to provide an e-mail address to be notified of any changes to the opportunity package before the closing date. Providing your e-mail address will allow Grants.gov to send you an e-mail message in the event this funding opportunity package is changed and/or republished on Grants.gov prior to the posted closing date. Any technical issues during any document download or submission processes should be directed to Grants.gov for assistance.

Once the application is submitted in Grants.gov, the applicant will see a confirmation screen explaining that your submission is being processed and a link will be provided to track the application. Retain the Grants.gov application tracking number received in the application submission confirmation screen. This tracking number is also emailed to the applicant upon submission.

VA may consider an application after the deadline, but only if the applicant submits an e-mail explaining the extenuating technical circumstance that caused the delay. VA will determine the admissibility of late applications on a case-by-case basis. However, please be advised that VA will not consider an advance request to submit a late application. Applicants must send the e-mail to Patrick Littlefield within the 24 hours immediately after the deadline. Communication with VA staff, including a program officer, is not a substitute for sending a letter to Patrick.Littlefield@va.gov. VA will determine whether or not to accept a late application on a case-by-case basis.

C. Intergovernmental Review

The applications will be reviewed solely by subject matter experts and authorized personnel from VA and other Federal agencies. The program is not subject to Executive Order 12372, "Intergovernmental Review of Federal Programs."

D. Funding Restrictions

The Recipient's request for funding must be consistent with the limitations and uses of grant funds set forth in this *Notice*. Pursuant to 2 C.F.R. § 200.414, for indirect costs, the Recipient may utilize a 10% de minimis rate of modified total direct costs, utilize a rate already negotiated with the Federal Government, negotiate an indirect cost rate for the first time, or charge costs directly following 2 C.F.R. § 200.413. The indirect rate utilized must be applied consistently across all Federal awards.

The Recipient may draw down funds for Outcomes Payments only after the Employment Outcomes have been achieved and verified according to pre-set requirements.

In the event that Employment Outcomes are achieved at or above pre-set target levels per the terms of the PFS Agreement and all funds for Outcomes Payments are claimed: The Recipient will release Outcomes Payments, funded by this grant and by non-Federal sources through the match requirement, per the terms of the PFS Agreement related to a High-Quality PFS Project for improving Employment Outcomes among Veterans with a Service-connected Disability of PTSD.

In the event Employment Outcomes are not achieved at or above pre-set target levels per the terms of the PFS Agreement and not all funds for Outcomes Payments are claimed: The Recipient shall not draw down VA or CNCS funds for Outcomes Payments as opposed to funds for indirect costs. Instead, CNCS funds

for Outcomes Payments will return to CNCS and VA funds for Outcomes Payments will return to the U.S. Treasury via VA.

E. Other Submission Requirements

1. Electronic Submission via Grants.gov

Applications for the VEPFS program must be submitted electronically through Grants.Gov.

2. Submission of Additional Documents

Match Verification Documentation: At the time of application, applicants must demonstrate through a letter or other form of documentation that they have cash-on-hand that meets 10% of their match requirement. Applicants may demonstrate cash-on-hand by a statement from the Chief Financial Officer or other officer that the organization has established a reserve of otherwise uncommitted funds for the purposes of fulfilling this match requirement. A bank statement or report of assets is not sufficient without the accompanying statement that the funds are uncommitted. Applicants may also demonstrate commitments by a dated and signed letter from each donor/foundation, indicating the amount of funds committed for the specific use of supporting this grant. Such a letter must contain a firm commitment to provide the applicant the stated funding upon award of a grant by VA.

To demonstrate cash on hand, applicants may demonstrate cash-on-hand by a statement from the Chief Financial Officer or other officer that the organization has established a reserve of otherwise uncommitted funds for the purposes of fulfilling this match requirement. A bank statement or report of assets is not sufficient without the accompanying statement that the funds are uncommitted. Applicants may also demonstrate commitments by a dated and signed letter from each donor/foundation, indicating the amount of funds committed for the specific use of supporting this grant. Such a letter must contain a firm commitment to provide the applicant the stated funding upon award of a grant by VA.

Documentation must be uploaded as part of the grant application package to Grants.gov. Applicants should include the following information:

- The legal applicant name and applicant's point of contact information;
- The application ID number;
- A list of documents attached to the email;
- Individually saved files that are clearly labeled; and
- Files that include the legal applicant name and application ID number within the body of the document.

Applications must be submitted as a complete package, including the additional documents. Materials arriving separately will not be considered and may result in the application being rejected. Match verification, as well as all other

documentation must be received by the application deadline. Submission of evidence of match by the application deadline is a compliance criterion.

Do not submit supplementary material such as videos, brochures, letters of support, or any items not requested in this Notice. VA will not review or return them.

V. Application Review Information

A. Selection Criteria

Reviewers will assess the degree to which the applicant clearly and convincingly meets the following criteria and score them according to the points assigned to each criteria (out of 100 total points possible):

1. Project Description (up to 30 points)

- Identifies and describes an employment Intervention for Veterans with a Service-connected Disability of PTSD (3 points);
- Identifies and describes the methodology for delivering an employment Intervention to Veterans with a Service-Connected Disability of PTSD through a PFS Agreement that is supported by Strong Evidence, describing the Strong Evidence of the Intervention and describing the Employment Outcomes to be evaluated. Please include information on the measurable Employment Outcomes the applicant seeks to improve by replicating or

expanding a proven initiative or supporting a new evidence-based initiative (5 points);

- Identifies where geographically the Intervention to be delivered through the PFS Agreement will be deployed and explains in detail how that Intervention will serve Veterans with a Service-connected Disability of PTSD in (1) low-income communities or (2) geographical areas that have the highest need for the issue areas (7 points);
- Identifies and justifies the number and population of Veterans expected to be served by the Intervention to be delivered through the PFS Agreement, and why the proposed Intervention is well-suited to the target population and context (2.5 points);
- Defines the method for determining an appropriate Veteran control group for the evaluation of Employment Outcomes (2.5 points);
- Describes any employer engagement, development, and training strategies (2.5 points);
- Describes the integration and role of mental health care professionals in the project (2.5 points);
- Describes how the PFS project will promote the Employment Outcome of a Living Wage as a result of the Intervention as compared to the control group (2 points);
- Describes how the PFS project will promote the Employment Outcome of an appreciable increase in annual earnings for Veterans as a result of the Intervention as compared to the control group (1 point);

- Describes how the applicant will sustain the replicated or expanded initiative after the conclusion of the grant period (2 points).
2. Project Partnership (up to 25 points)
- *For applicants presenting a Full Project Partnership at the time of application (25 points).* Provides the name, qualifications, and project responsibilities of each of the following partner entities committed to the project:
 - Project Coordinator
 - Evaluator
 - Investor(s) if the PFS Agreement will involve PFS financing
 - Service Provider(s). Please include as part of qualifications any experience working with Veterans.
 - *For applicants presenting a Partial Project Partnership at the time of application (15 points).*
 - Provides the name, qualifications, and project responsibilities of any of the following partner entities committed to the project (7 points):
 - Project Coordinator
 - Evaluator
 - Investor(s) if the PFS Agreement will involve PFS financing
 - Service Provider(s). Please include as part of the qualifications any experience working with Veterans.
 - Describes a plan that has a high likelihood of success to transparently form a Full Project Partnership (5 points).

- Provides evidence of experience in developing partnerships for social innovation generally and/or PFS specifically (3 point).

3. Work Plan and Budget (up to 20 points)

- Proposes a high-level work plan that provides specific, realistic, and actionable timelines tied to completion of the following tasks within the project period and includes staff roles assigned to complete the following tasks, noting whether such staff members are already hired (10 points):
 - Secure any remaining non-Federal funds for the match requirement;
 - Form a Full Project Partnership if it has not been formed yet;
 - Execute a PFS Agreement for a High-Quality PFS Project that evaluates impacts within the period of performance and potential release of Outcomes Payments;
 - Define reporting structure, data collection methods, Evaluate Outcomes and performance metrics, and evaluation approach.
- Provides a budget narrative that (10 points):
 - Breaks down total funds by:
 - Amount of total funding for indirect costs (in accordance with 2 C.F.R. § 200.414)
 - Amount of total funding for Outcomes Payments
 - Breaks down total funds by:
 - The amount of the Federal share
 - The amount of the non-Federal share (i.e., matching funds)

- Justifies the amount budgeted for Outcomes Payments in terms of an appropriate rate of return for Investors and number of Veterans to be served.

4. Expertise and Capacity (up to 17 points)

- Provides evidence of past experience among its in-house staff (and/or Board of Directors if applicant is a 501c(3) nonprofit organization) working on:
 - Pay for Success or other social finance strategies (6 points);
 - Issues specific to Veterans (1 point);
 - Workforce supports for individuals facing mental health challenges, including PTSD (1 point);
 - Demonstrated knowledge of sound vocational rehabilitation principles (1 point);
 - Knowledge of and adherence to Service-Connected Disability related privacy concerns (1 point);
 - Experience with employment focused and/or mental health service providers (1 point);
 - Data on the measurable Employment Outcomes the applicant has improved (1 point).
- Identifies and explains sufficient capacity (i.e., knowledge, skill, and time) among existing in-house staff or those to be hired, to carry out its responsibilities if selected as a Recipient (3 points).

- Describes how the applicant uses data to analyze and improve its initiatives (2 points).

5. Match (up to 8 points)

- Identifies and provides evidence for the percentage of its match requirement that meets each of the four categories:
 1. Funds that the applicant has secured (i.e., made available if itself providing the funds or already received from others) as cash on hand to meet the match requirement;
 2. Funds for which the applicant has received commitments;
 3. Funds for which the applicant has received letters of interest from funders;
 4. Funds the applicant has a credible plan to secure.

Points will be allocated as follows:

- Each applicant will identify the percentage of its match requirement that meets each of the four categories above.
 - For example, Applicant ABC identifies that it has secured half its match requirement and received letters of interest from funders in providing the remaining half.
- Those percentages will be multiplied as follows: by 100% for funds that are secured; by 90% for funds that have been committed; by 60% for funds that funders have expressed interest in providing; and by 30% for funds that the applicant has a credible plan to secure.

- For Applicant ABC, the reviewer would multiply 50% x 100% for the secured funds (50% x 100% = 50%) and multiply 50% x 30% for the funds supported for which the applicant has a credible plan to secure (50% x 30% = 15%).
- The resultant percentages will be added to yield the applicant's "match score multiplier." It will be no more than 100%.
 - For Applicant ABC, the "match score multiplier" would be 65% (50% + 15%).
- The "match score multiplier" will be applied to 8 points. This is the applicant's point allocation for this selection criteria.
 - For Applicant ABC, the score would be 5.2 points (65% x 8 points).

C. Review and Selection Process

VA and other Federal Agencies will review all grant applications received in response to this *Notice* according to the following steps.

1. Compliance Review

VA staff will review all applications to determine compliance with the following Threshold Requirements:

- The application is filed within the time period established in this *Notice*;
- The application is complete;
- The applicant is an eligible entity;

- The applicant demonstrates it has 10% of the match requirement as cash on hand.

The compliance review does not include reading the entire application.

Applications that do not meet all compliance criteria will be determined non-compliant, and therefore will not be considered. Applications must be received through Grants.gov, as specified in Section IV. of this *Notice*, on or before the application deadline published in Section IV. of this *Notice*.

2. Application Review

Staff reviewers from VA, CNCS, and possibly other Federal Agencies will assess and score all compliant applications. VA will recruit, screen for conflicts of interest, and select reviewers on the basis of their expertise in Pay for Success programming and/or the Selection Criteria articulated in Section IV.A. of this *Notice*, as well as their expertise in assessing grant applications. The applications will be ranked in order from highest to lowest scores.

3. Risk Assessment Evaluation

VA staff will evaluate the risks to the program posed by each applicant, including conducting due diligence to ensure an applicant's ability to manage Federal funds. This evaluation is in addition to the evaluation of the applicant's quality of its application, and results from this evaluation will inform funding decisions. If VA determines that an award will be made, special conditions that

correspond to the degree of risk assessed may be applied to the award. In evaluating risks, VA may review and consider the following:

- Financial stability;
- Quality of management systems and ability to meet the management standards prescribed in the Uniform Guidance (2 C.F.R Part 200);
- Applicant's record in managing previous Federal awards, grants, or procurement awards, including:
 - Timeliness of compliance with applicable reporting requirements;
 - Accuracy of data reported;
 - Validity of performance measure data reported;
 - Conformance to the terms and conditions of previous Federal awards; and
 - If applicable, the extent to which any previously awarded amounts will be expended prior to future awards.
- Information available through OMB-designated repositories of government-wide eligibility qualification or financial integrity information, such as:
 - Federal Awardee Performance and Integrity Information System (FAPIIS);
 - Duns and Bradstreet; and
 - "Do Not Pay."

Applicants may review and comment on information available through these OMB-designated repositories and VA will consider any comments made by the applicant.

- Reports and findings from single audits performed under Subpart F – Audit Requirements, 2 C.F.R Part 200, OMB Circular A-133, and findings of any other available audits;
- Applicant organization's annual report;
- Publicly available information, including information from the applicant organization's website;
- Applicant's ability to effectively implement statutory, regulatory, or other requirements imposed on award recipients;
- Applicant's past compliance or ability to comply with Federal procurement requirements in procuring the Project Coordinator and Investor(s) in accordance with 2 CFR §§ 200.317-200.326.

4. Applicant Clarification

Following the review process and risk assessment evaluation, VA may ask some applicants to provide clarifying information. VA staff uses clarifying information to inform funding recommendations. A request for clarification does not guarantee a grant award. If an organization does not respond by the deadline to a request for clarification, VA will remove its application from consideration. Applicants must be prepared to provide documentation of eligibility criteria and other support documentation described in the narrative, including demonstrated commitment of key experts and team. VA may conduct a site visit inspection, as appropriate.

5. Selection for Funding

VA will utilize the ranked scores of applications as the primary basis for selection, ultimately made by the delegated official who may factor in the risk assessment and clarification information provided by the applicant.

6. Applicant Feedback

VA will provide reviewer feedback to compliant applicants following announcement of the selected Recipient and grant award. This feedback will be based on the review of the original application and will not reflect information that may have been provided in response to requests for clarification.

VI. Federal Award Administration Information

A. Federal Award Notices

Although subject to change, the VA VEPFS Grant Program Office expects to announce the results of this competition by September 30, 2016. Prior to executing any funding agreement, VA will contact successful applicant(s), make known the amount of proposed funding, and verify the applicant's desire to receive the funding. In advance of grant award, successful applicants will be required to complete the VA Form 26-0967, which is a "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion." Any communication between the VA VEPFS Grant Program Office and successful applicant prior to the issuance of an award notice is not authorization to begin project activities. Once VA verifies that the grant applicant is still seeking funding, VA will issue a signed and dated award notice. The

award notice will be sent by US Mail to the organization listed on the SF-424.

Unsuccessful applicants will be notified by letter, sent by US Mail to the organization listed on the SF-424. The Notice of Grant Award signed by the VA VEPFS Grant Program officer is the authorizing document for grant activities.

An awardee may not expend Federal funds until the start of the Project Period identified in the Notice of Grant Award.

B. Administrative and National Policy Requirements

The Notice of Grant Award incorporates the approved application as part of the binding commitments under the grant, as well as the requirements of applicable sections of 38 U.S.C. §3119, as well as the requirements of applicable sections of the National and Community Service Act of 1990, Pub. L. No. 101-610, The Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, Division G, Title IV, Corporation for National and Community Service, and other applicable statutes and regulations. Awards will also be subject to the General and Specific Terms and Conditions established for grants and any Special Conditions attached to the award.

Grants under this program are subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, now consolidated in 2 C.F.R Parts 200 and VA's implementing regulation at [fill in when we hae reg cite]and CNCS's implementing regulation at Part 2205). This final

guidance supersedes and streamlines requirements from OMB Circulars A–21, A–87, and A–122 (the former Cost Principles), A-110 and A-102 (the former Administrative Requirements), A–133 and A-50 (the former Audits and Audit Follow up), and A-89 (the former Federal Domestic Assistance Program Information).

C. Reporting

VA places great emphasis on the responsibility and accountability of Recipients. Applicants should be aware of the following: upon execution of a grant agreement with VA, the Recipient(s) may have a liaison appointed by VA who will provide oversight and monitor services provided to Veterans. The Recipient(s) must provide to VA certain information, which will include but will not necessarily be limited to:

1. Quarterly Reports. The Recipient must submit to VA quarterly reports based on the Federal fiscal year, which include the following information (and any associated costs):
 - Record of time and resources expended administering the VEPFS program;
 - The number of Veterans served, including demographics of this population;
 - Types of employment assistance provided;
 - A full accounting of VEPFS administrative funds received from VA and used or unused during the quarter;
 - Results of routine monitoring and any project variations;
 - A comparison of accomplishments related to objectives of the award;

- An explanation for any goals not met;
- Analysis and explanation for any cost overruns.

Reports must be submitted to VA no later than 30 calendar days after the close of each Federal fiscal quarter.

2. Additional Reports. VA may request additional reports if necessary to allow VA to fully and effectively assess project accountability.
3. Other Requirements. The Recipient shall conform, if necessary, to the requirements of 2 CFR part 200, Appendix XII—Award Term and Condition for Recipient Integrity and Performance Matters.

VII. Federal Awarding Agency Contact

For further information contact:

Patrick Littlefield

Executive Director, VA Center for Innovation

Patrick.Littlefield@va.gov

(202) 256-7176

If mailing correspondence, other than application material, please send to:

VA Center for Innovation

VA Central Office

Attn: Patrick Littlefield (320)

810 Vermont Avenue NW

Washington, DC 20420

All correspondence with the VA concerning this *Notice* should reference the title and funding opportunity number listed at the top of this solicitation. Please read the complete announcement before sending inquiries or submitting proposals. Once the *Notice* deadline has passed, the VA staff may not discuss this competition with applicants until the review process has been completed.

VIII. Other Information

A. Transparency in Grant Making

VA is committed to transparency in grantmaking. This *Notice* includes a description of the application review and selection process. In addition, the following information for compliant applications will be published on the VA and CNCS website within 90 business days after all grants are awarded:

- A list of all compliant applications submitted;
- Executive summaries of all compliant applications as submitted by the applicants;
- Data extracted from the Face Sheet of Standard Form 424 (SF-424);
- The program narratives for the successful application.

B. Payments of Grant Funds

Funds will be dispersed by the U.S. Department of Health and Human Services Payment Management System. A special condition will be placed on funds for

Outcomes Payments that will prevent the funds from being drawn down until Employment Outcomes are achieved and verified, creating positive impact. If Employment Outcomes have been achieved per the terms of the PFS Agreement, creating positive impact, funding for Outcomes Payments may then be drawn down through the same system. Payment methods must minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the Recipient.

Appendix I: Definitions

Key Parties

- *Evaluator*: An independent entity that determines the impact of the services provided, including whether the services have resulted in Employment Outcomes that meet target levels that have been agreed to in advance of the provision of the Intervention.
- *Investor*: An person or entity that provides upfront capital to cover costs of providing services/delivering an Intervention and other associated costs before a determination has been made as to whether certain Employment Outcomes have been achieved at pre-set target levels. Investors' upfront capital may also be used to pay for the evaluation of outcomes and the costs of the Project Coordinator's work.
- *Outcomes Payor*: An entity that receives a VEPFS grant and administers payment for outcomes of an intervention that meet target levels that have been agreed to in advance of the provision of the Intervention.
- *Participant*: An eligible Veteran who receives services through a PFS project to which potential Outcomes Payments funded by a VEPFS grant have been dedicated.
- *Project Coordinator*: An entity that facilitates, coordinates, and executes a PFS Agreement to improve Employment Outcomes for Veterans with a Service-connected Disability of PTSD. With respect to other PFS projects, Project Coordinators are sometimes referred to as intermediaries. Responsibilities may

include, but are not limited to, building a financial model to guide the terms of the PFS Agreement and raising capital from Investors for the PFS Agreement that involve PFS financing. For the purposes of this *Notice*, we exclusively use the term Project Coordinators to refer specifically to an organization's role in facilitating a PFS project.

- *Recipient*: An entity that receives a grant through the VEPFS program. For the purpose of the VEPFS program, the Recipient is also the Outcomes Payor.
- *Secretary*: Refers to the Secretary of Veterans Affairs.
- *Service Provider*: An entity that delivers an Intervention designed to achieve improved Employment Outcomes for Veterans with a Service-connected Disability of PTSD.
- *Veteran*: Defined as provided in 38 CFR 3.1.

Key Concepts

- *Employment Outcome*: The employment or earnings of a Participant in the Intervention or control group member after the service period. The VEPFS program will measure certain outcomes, including competitive employment, skill development, achieving a sustained period of employment, wage-earnings, and achieving employment that aligns with the interests and aptitude of the job seeker. Improving Employment Outcomes means creating positive impact in terms of these outcomes, where the results for individuals that receive the Intervention are better than the results for a valid control group that did not receive the Intervention.

- *Grant Program Assessment:* The set of activities and deliverables that assess the effectiveness of the VEPFS program in achieving the objectives articulated in Section I.C. of this *Notice*. (It is distinct from the evaluation of the Intervention that potentially triggers release of Outcomes Payments.)
- *High-Quality PFS Project:* For the purpose of this *Notice*, a PFS Project that includes the following components:
 - A well-defined problem and associated target population.
 - A evidence-based preventive service delivery strategy that is managed, coordinated, and guided by the Service Provider, is flexible and adaptive to the target problem and population, and has Strong Evidence.
 - Well-defined, achievable potential outcome target(s) as compared to a control group that are a significant improvement on the current condition of the target population and have been agreed to by all required project partners.
 - A rigorous impact evaluation that uses an experimental or quasi-experimental design that is well-executed by an Evaluator.
 - A financial model that shows public sector value, including cost savings or efficiency as well as societal benefit, and tracks effects of the project on relevant Federal, state, and local funding sources.
 - A commitment from an entity to act as an Outcomes Payor (whose Outcomes Payments may be directed to Investors if they have covered, in part or in whole, costs associated with delivering the Intervention and constructing and managing the project).

- If needed, a binding commitment of funds from one or more independent Investors to cover relevant operating costs of the Intervention, including administrative costs of the intermediary.
 - A PFS Agreement and any associated necessary agreements that incorporate all elements above.
- *Intervention*: A service or technology that is provided to individuals and is intended to achieve certain results. Examples of service interventions or technological interventions to improve Veteran Employment Outcomes include, but are not limited to, support services, employment coaching, mental health treatment, vocational training, occupational therapy, community engagement, and outreach.
- *Living Wage*: A wage on which it is possible for a wage earner or an individual and his or her family to live at least according to minimum customary standards in the geographic region where the individual resides.
- *Outcomes Payments*: Funds that are paid to an Investor or Service Provider and that are released only for the achievement of outcomes, as compared to those of a control group, that meet target levels that have been agreed to in advance of the provision of an Intervention (i.e., if positive impact has been created by the Intervention in terms of these outcomes). When Investors have provided the upfront capital for the project, these payments generally cover repayment of the principal investment and provide a modest return on investment for any associated risks of paying for the Intervention upfront.

- *Pay for Success (PFS) Agreement:* A multi-party agreement to deliver an innovative or evidence-based Intervention intended to improve outcomes for a targeted population signed by the entities that constitute the Project Partnership.
- *Project Partnership:* A collaboration among entities that negotiate and execute a project to improve Employment Outcomes for Veterans with a Service-connected Disability of PTSD. For the purpose of the VEPFS grant program described in this *Notice*, a Project Partnership is not a distinct legal entity. The entities that may be involved in a Project Partnership include: Outcomes Payor, Project Coordinator, Evaluator, Investor, Service Provider.
 - *Full Project Partnership:* A Project Partnership that includes all of the following stakeholders:
 - Evaluator;
 - Investor(s) if PFS Agreement will involve PFS Financing;
 - Outcomes Payor; and
 - Service Provider(s).
 - *Partial Project Partnership:* A Project Partnership that includes the Outcomes Payor and at least one – but not all – of the following stakeholders:
 - Evaluator;
 - Investor(s) if PFS Agreement will involve PFS Financing; and
 - Service Provider(s).

- *Service-connected Disability*: A disability that is “service-connected” as defined in 38 CFR 3.1.
- *Strong Evidence*: Evidence from previous studies, the designs of which support causal conclusions (i.e., studies with high internal validity), which include enough of the range of Participants and settings to support scaling up to the state, regional, or national level (i.e., studies with high external validity). The following are examples of Strong Evidence: (1) more than one well-designed and well-implemented experimental study or well-designed and well-implemented quasi-experimental study that supports the effectiveness of the practice, strategy, or program; or (2) one large, well-designed and well-implemented randomized controlled, multisite trial that supports the effectiveness of the practice, strategy, or program.

Appendix II: Background on the Focus of this VEPFS Competition

Given the manpower buildup for the wars in Afghanistan and Iraq and the nearing completion of the U.S. combat mission in those countries, the U.S. military implemented a troop drawdown that is planned to continue over the next few years. This has resulted in a multitude of Servicemembers transitioning out of the military and into the civilian workforce. Transitioning back into civilian life and finding employment can be challenging for many Veterans. Veterans with Service-connected Disabilities, especially mental health conditions, may experience an even more difficult transition process and encounter significant employment barriers compared to other Veterans.

PTSD, a mental health condition that can develop after exposure to a traumatic event such as warfare, is particularly pervasive among Veterans. A recent report in *JAMA* provided a detailed assessment of the Army Study to Assess Risk and Resilience in Servicemembers (Army STARRS) project and found PTSD to be 15 times higher in soldiers compared to civilians.¹ Up to 20% of Veterans from recent tours of duty have experienced PTSD.² As of 2015, more than 400,000 Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Operation New Dawn (OND) Veterans were seen for potential PTSD at VA facilities following their return from overseas deployments.³

¹ <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4075436/>

² http://www.nytimes.com/2010/07/08/us/08vets.html?_r=0

³ <http://www.publichealth.va.gov/docs/epidemiology/ptsd-report-fy2015-qtr2.pdf>

Veterans with PTSD are likely to face challenges in the transition process and in particular with obtaining and maintaining suitable, stable employment. Symptoms of PTSD may include lack of interest in engaging in tasks and activities, anxiety, depression, cardiovascular disease, feelings of detachment from others, sleeplessness, and trouble with concentration. This vast array of symptoms combined with other employment barriers such as limited non-military vocational skills and work experience, lack of resources to assist with preparation for finding a civilian job, and a challenging job market can prevent Veterans with PTSD from successfully achieving their civilian vocational goals.

PTSD is listed in the recognized authority on mental illness diagnoses, the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-V). The DSM-V is utilized by VA in conducting Service-connected Disability evaluations for VA compensation purposes

A study conducted by VA in 2011 confirmed that a negative relationship exists between mental health conditions, mental health issues, and employment.⁴ The unemployment rates for people with mental illness are high. People with severe mental illness have exceptionally higher rates of unemployment, between 60-100%. People with long-term psychiatric disabilities are less likely to be employed than those with long-term physical

⁴ http://www.nchv.org/images/uploads/Employment_Status_of_Patients_in_the_VA_Health_System-Implications_for_Mental_Health_Services_WEB.pdf

disabilities. A person's self-esteem may also be compromised during unemployment, leading to anxiety and self-doubt. The study also asserts that feelings of "helplessness" arise when a person believes he/she has little influence over important events in his/her life, such as securing meaningful work. In VA's experience the overwhelming majority of Veterans using the VA systems want to be employed, or at least be engaged in meaningful activity. However, their disability may create a barrier to employment.

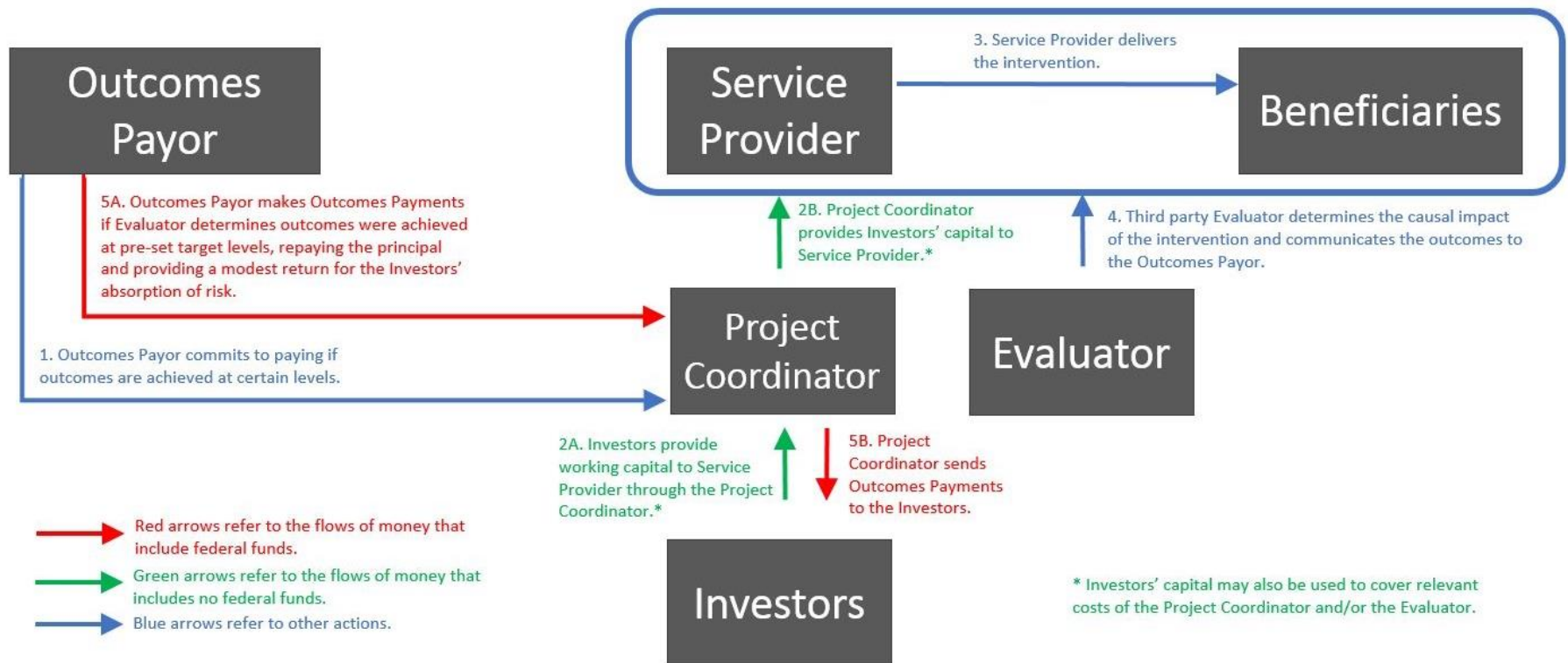
Mental health providers view vocational rehabilitation and employment services as an integral part of a treatment plan for Veterans with PTSD or other mental health challenges. They report that Veterans have better outcomes while actively pursuing an employment goal.^{5,6} Many people with mental health conditions view employment as central to their lives, yet fewer than 15% have jobs.⁷ Thus, participation in a program that focuses on vocational needs should lead to improved functional and Employment Outcomes for Veterans with a Service-connected Disability of PTSD.

⁵ http://www.nchv.org/images/uploads/Posttraumatic_stress_disorder_and_employment_in_veterans_participating_WEB.pdf

⁶ <http://www.rehab.research.va.gov/jour/07/44/6/pdf/resnick.pdf>

⁷ <http://www.ncbi.nlm.nih.gov/pubmed/15616477>

Appendix III: Example of a Pay for Success Contract with Pay for Success Financing



Signing Authority

The Secretary of Veterans Affairs, or designee, approved this document and authorized the undersigned to sign and submit the document to the Office of the Federal Register for publication electronically as an official document of the Department of Veterans Affairs. Gina S. Farrisee, Deputy Chief of Staff, Department of Veterans Affairs, approved this document for publication.

Date: August 5, 2016

Jeffrey Martin
Office Program Manager
Office of Regulation Policy & Management
Office of the Secretary
Department of Veterans Affairs
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